

**LAKE ERIE TRANSPORTATION COMMISSION**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2008**  
**WITH**  
**INDEPENDENT AUDITORS' REPORT**

# Auditing Procedures Report

Instructions and MuniCodes

\*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.07)

Unit Name* LAKE ERIE TRANSPORTATION COMMISS	County* MONROE	Type* AUTHORITY	MuniCode* 58-7-511
Opinion Date-Use Calendar* Oct 7, 2008	Audit Submitted-Use Calendar* Nov 6, 2008	Fiscal Year End Month* 06	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin)?
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input type="checkbox"/> ?	18. Are there reported deficiencies?
	19. If so, was it attached to the audit report?

General Fund Revenue:	? \$ 3,799,492.00
General Fund Expenditure:	? \$ 3,954,171.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	? \$ 1,892,904.00
Governmental Activities Long-Term Debt (see instructions):	? \$ 231,894.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* GARY	Last Name* OWEN	Ten Digit License Number* 1101008646		
CPA Street Address* 121 N MAIN ST	City* ADRIAN	State* MI	Zip Code* 49221	Telephone* +1 (517) 265-6154
CPA Firm Name* ROBERTSON, EATON & OW	Unit's Street Address* 121 N MAIN ST	Unit's City* ADRIAN	Unit's Zip* 49221	

**LAKE ERIE TRANSPORTATION COMMISSION**

**INDEPENDENT AUDITORS' REPORT**

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**INDEPENDENT AUDITORS' REPORT**

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2008**

Our discussion and analysis of Lake Erie Transportation Commission's financial statements provides an overview of the Transportation Commission's financial activities for the fiscal year ended June 30, 2008. This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Revenues, Expenditures, and Changes in Fund Net Assets provide information about the activities of the Transportation Commission and present a long-term view of the Transportation Commission's finances. Also, the financial statements tell how these services were financed in the short-term, as well as what remains for future spending.

### **Overview of the Financial Statements**

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and supplementary information.

- ◆ The first two statements are government-wide financial statements that provide both long-term and short-term information about the Transportation Commission's overall financial status. These statements report information about the Transportation Commission, as a whole, using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenditures, and Changes in Fund Net Assets regardless of when cash is received or paid. The two government-wide statements report the Transportation Commission's net assets and how they have changed. "Net assets" is the difference between the assets and liabilities - this is one way to measure the Transportation Commission's financial health or position.
- ◆ The third statement is the Statement of Cash Flows which shows the change in cash and cash equivalents presenting all activity of the Transportation Commission on a cash basis.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by supplementary information that further explains and supports the information in the financial statements.

## **Reporting the Transportation Commission as a Whole**

### **Government-Wide Statements**

The Statement of Net Assets and the Statement of Revenues, Expenditures, and Changes in Fund Net Assets report information about the Transportation Commission, as a whole, and about its activities in a way that helps answer the question of whether the Transportation Commission, as a whole, is better off or worse off as a result of the year's activities. The Statement of Net Assets includes all of the Transportation Commission's assets and liabilities using the accrual basis of accounting, which is similar to the accounting methods used by most private-sector companies. All of the current year's revenues and expenses are accounted for the Statement of Revenues, Expenditures, and Changes in Fund Net Assets regardless of when cash is received or paid.

The two statements, mentioned above, report the Transportation Commission's net assets and how they have changed. The reader can think of the Transportation Commission's net assets (the difference between assets and liabilities) as one way to measure the Transportation Commission's financial health or financial position. Over time, increases or decreases in the Transportation Commission's net assets are one indicator of whether its financial health is improving or deteriorating, respectively. To access the overall health of the Transportation Commission, you need to consider additional factors such as changes in the general economy and changes in the laws related to Federal and State transportation funding.

### **Fund Financial Statements**

The Transportation Commission has only one fund, the General Operating Fund, in which all of the Transportation Commission's activities are accounted. The General Operating Fund is a business-type fund, which accounts for activities on a full accrual basis.

## **Financial Analysis of the Transportation Commission as a Whole**

The Transportation Commission's net assets decreased 3.8% from \$2,047,583 to \$1,892,904 for the year ended June 30, 2008. The net assets and change in net assets are summarized below.

### **Net Assets**

Net assets are divided between the three transit systems

Lake Erie Local Service System (LSS)  
Monroe Essential Transportation System (ETS)  
Bedford Local Service System

based on activity in each system. Also, a portion of net assets has been reserved for investment in capital assets (\$284,239); and a portion has been designated by the Commission for future capital improvements (\$1,000,000).

Net assets of each transit system must have a positive balance. If a deficit position occurs in one of the transit systems, the transfer is usually made from the LSS System to cover the deficit.

The net assets decreased by \$154,679 during 2007-08. The primary reason for the increase was an increase in operating costs, especially labor and fuel.

**Net Assets (Continued)**

The investment in capital assets (decreased) by \$4,313.

Net assets for the years ended June 30, 2008 and 2007 follow:

	<u><b>2008</b></u>	<u><b>2007</b></u>
Current assets	\$ 2,175,000	\$ 2,192,619
Capital assets	<u>284,239</u>	<u>288,552</u>
Total assets	<u>2,459,239</u>	<u>2,481,171</u>
Long-term liabilities	231,894	232,311
Other liabilities	<u>334,441</u>	<u>201,277</u>
Total liabilities	<u>566,335</u>	<u>433,588</u>
Net assets:		
Invested in capital assets	284,239	288,552
Designated for future capital improvements	1,000,000	1,000,000
Transit system balances	<u>608,665</u>	<u>759,031</u>
Total net assets	<u>\$ 1,892,904</u>	<u>\$ 2,047,583</u>

**Changes in Net Assets**

A summary of changes in net assets for the years ended June 30, 2008 and 2007 follows:

	<u><b>2008</b></u>	<u><b>2007</b></u>
<b>Revenues</b>		
Operating revenue	\$ 330,656	\$ 351,682
Nonoperating revenue – local	1,548,288	1,405,503
Grants	<u>1,920,548</u>	<u>1,935,015</u>
Total revenues	3,799,492	3,692,200
Operating expenditures	<u>(3,954,171)</u>	<u>(3,616,955)</u>
Increase (decrease) in net assets	<u>\$ (154,679)</u>	<u>\$ 75,245</u>

Total revenues were \$3,799,492, an increase of \$107,292 as compared to last year. The change in revenues resulted primarily from an increase in Bedford support (\$98,917). Total expenditures were \$3,954,171, an increase of \$337,216 as compared to prior year.

## Budgetary Highlights

### General Fund Budgetary Highlights

The budget for fiscal year 2008 was \$3,782,500; expenses for FY 2008 excluding depreciation and RTAP expenses were \$3,909,171, resulting in expenses exceeding budget by \$126,671 (3.35% variance). Below is a summary of budget items:

- Wages (Drivers, Supervisors, Dispatchers, Maintenance, and Administrative) are under budget by \$11,797, (0.6%).
- Fringe benefits are under budget by 0.7%
- Fuel costs are over budget by \$87,112 or 27.5%. Fuel cost increases had the most significant impact on expenses in FY 2008. Fuel increases represents 70% of expenses over budget.
- Insurance costs are under budget 2%
- Maintenance parts, service and tire costs exceeded budget by 9.8%
- Professional costs are below budget by 2%
- Utilities are over budget by 19%

The budget is prepared six months before the start of the new fiscal year. This at times makes it difficult to budget line items that fluctuate daily due to influences beyond managements control. However, management strives to keep its overall budget in line with its overall expenses.

## Capital Assets

### Capital Assets

As of June 30, 2008, the Transportation Commission had invested \$34,661 in capital assets. This amount represents a net (decrease) of \$4,313, which represents depreciation taken for the year.

	<u>2008</u>	<u>2007</u>	<u>Total Percentage Change</u>
<b>Capital Assets Being Depreciated</b>			
Buildings	\$ 263,696	\$ 229,035	15 %
Vehicles	<u>256,246</u>	<u>256,246</u>	0 %
Total capital assets	519,942	485,281	
Total accumulated depreciation	<u>(235,703)</u>	<u>(196,729)</u>	
Total net capital assets	<u>\$ 284,239</u>	<u>\$ 288,552</u>	



### **Economic Factors and Next Year's Budget**

#### **Economic factors and the 2008 Fiscal Year budget:**

- Fuel cost continues to be the greatest concern. The FY 09 budget allowed for fuel cost at \$3.00 per diesel gallon and was amended in September 2008 to \$3.90 per gallon, changing the FY 09 budget from \$4,210,000 to \$4,322,500. Fuel prices have fluctuated from a low of \$2.84 per gallon to a high of \$4.22 per gallon in the first six months of 2008.
- LETC expects to take delivery of three new hybrid buses in January 2009.
- Management expects that new parts for buses will exceed the amount budgeted. Three months into FY 09 bus parts are 20% over budget.
- Management of LETC has yet to reach a union contract agreement with Steelworkers union. The contract expired on June 30, 2008.

### **Contacting the Commission's Financial Management**

This financial report is designed to provide the citizens and other interested parties a general overview of the Transportation Commission's finances and to show the Transportation Commission's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Lake Erie Transportation Commission, 1105 West Seventh Street, Monroe, Michigan 48161.

To the Board of Directors  
Lake Erie Transportation Commission  
Monroe, Michigan

### INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the business-type activities of Lake Erie Transportation Commission, as of and for the years ended June 30, 2008 and 2007, which comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Lake Erie Transportation Commission's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Lake Erie Transportation Commission, as of June 30, 2008 and 2007, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 11, 2008 on our consideration of Lake Erie Transportation Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

To the Board of Directors  
Lake Erie Transportation Commission  
Monroe, Michigan

The management's discussion and analysis on pages i through v is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that comprise Lake Erie Transportation Commission's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of Lake Erie Transportation Commission. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is also not a required part of the basic financial statements of Lake Erie Transportation Commission. Such information has been subjected to the procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

***Robertson, Eaton & Owen, P.C.***

Adrian, Michigan  
October 7, 2008

To the Board of Directors  
Lake Erie Transportation Commission  
Monroe, Michigan

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

We have audited the financial statements of the business-type activities of Lake Erie Transportation Commission, as of and for the year ended June 30, 2008, which comprise Lake Erie Transportation Commission's basic financial statements and have issued our report thereon dated August 11, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit, we considered Lake Erie Transportation Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

To the Board of Directors  
Lake Erie Transportation Commission  
Monroe, Michigan

#### **COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether Lake Erie Transportation Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

***Robertson, Eaton & Owen, P.C.***

Adrian, Michigan  
October 7, 2008

To the Board of Directors  
Lake Erie Transportation Commission  
Monroe, Michigan

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH  
OMB CIRCULAR A-133**

**COMPLIANCE**

We have audited the compliance of Lake Erie Transportation Commission with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Lake Erie Transportation Commission's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Lake Erie Transportation Commission's management. Our responsibility is to express an opinion on Lake Erie Transportation Commission's management. Our responsibility is to express an opinion on Lake Erie Transportation Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lake Erie Transportation Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Lake Erie Transportation Commission's compliance with those requirements.

In our opinion, Lake Erie Transportation Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

To the Board of Directors  
Lake Erie Transportation Commission  
Monroe, Michigan

## **INTERNAL CONTROL OVER COMPLIANCE**

The management of Lake Erie Transportation Commission is responsible for establishing and maintaining effective internal control over compliance with requirement of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Lake Erie Transportation Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in or to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal programs being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

Robertson, Eaton & Owen, P.C.

October 7, 2008  
Adrian, Michigan

# LAKE ERIE TRANSPORTATION COMMISSION

## STATEMENTS OF NET ASSETS

June 30, 2008 and 2007

	<u>Business-Type Activity</u>	
	<u>General Operating</u>	
<b>ASSETS</b>	<b><u>2008</u></b>	<b><u>2007</u></b>
<b>Current assets:</b>		
Cash	\$ 339,351	\$ 748,343
Investments	1,427,717	1,061,558
Due from SMART	188,067	175,616
Accounts receivable – other	78,059	71,342
Prepaid insurance	42,392	61,555
Prepaid supplies	<u>99,414</u>	<u>74,205</u>
Total current assets	<u>2,175,000</u>	<u>2,192,619</u>
<b>Capital assets:</b>		
Vehicles	256,246	256,246
Building	263,696	229,035
Accumulated depreciation	<u>(235,703)</u>	<u>(196,729)</u>
Capital assets – net	<u>284,239</u>	<u>288,552</u>
Total assets	<u>\$ 2,459,239</u>	<u>\$ 2,481,171</u>
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 41,171	\$ 34,280
Due to Smart	167,738	33,250
Accrued payroll and related taxes	31,343	29,521
Deferred revenue	<u>94,189</u>	<u>104,226</u>
Total current liabilities	<u>334,441</u>	<u>201,277</u>
<b>Long term liabilities:</b>		
Advance from SMART (Note 2)	150,000	150,000
Accrued sick pay	30,122	31,224
Accrued vacation	<u>51,772</u>	<u>51,087</u>
Total long term liabilities	<u>231,894</u>	<u>232,311</u>
Total liabilities	<u>566,335</u>	<u>433,588</u>
<b>Net assets:</b>		
Invested in capital assets	284,239	288,552
Designated for future capital improvements and buses	1,000,000	1,000,000
Lake Erie Local Service System (LSS)	461,254	638,274
Monroe Essential Transportation Services (ETS)	140,227	107,296
Bedford Local Service System	<u>7,184</u>	<u>13,461</u>
Total net assets	<u>\$ 1,892,904</u>	<u>\$ 2,047,583</u>



# LAKE ERIE TRANSPORTATION COMMISSION

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET ASSETS (MDOT SCHEDULE 3)

For the Year Ended June 30, 2008  
With Comparative Totals for the Year Ended June 30, 2007

	Urban	LSS Nonurban	Total	ETS Nonurban	Bedford Urban	2008	Totals 2007
<b>Operating revenues:</b>							
Linehaul – farebox	\$ 93,954	\$	\$ 93,954	\$	\$	\$ 93,954	\$ 96,014
Demand Response - farebox	15,266	15,266	30,532	33,571	9,368	73,471	79,673
Contracts				163,231		163,231	175,225
Other							770
Total operating revenues	109,220	15,266	124,486	196,802	9,368	330,656	351,682
<b>Operating expenditures:</b>							
Operations	1,701,446	189,050	1,890,496	433,020	225,362	2,548,878	2,360,528
Maintenance	476,715	52,968	529,683	140,886	86,198	756,767	704,931
Administrative	395,444	43,938	439,382	149,016	54,102	642,500	546,566
RTAP expenses	5,423	603	6,026			6,026	4,930
Total operating expenses	2,579,028	286,559	2,865,587	722,922	365,662	3,954,171	3,616,955
Deficiency of revenues under expenditures	(2,469,808)	(271,293)	(2,741,101)	(526,120)	(356,294)	(3,623,515)	(3,265,273)
<b>Nonoperating revenues – Local:</b>							
City of Monroe taxes	416,184	46,243	462,427			462,427	464,210
Frenchtown Township taxes	512,451	56,939	569,390			569,390	564,590
Monroe Township	23,751	2,639	26,390			26,390	25,535
Bedford support					171,378	171,378	72,461
Commission on Aging				162,779		162,779	161,850
Interest income	78,575	8,731	87,306			87,306	70,596
Advertising	60,888	6,765	67,653			67,653	44,922
Other	869	96	965			965	1,339
Total nonoperating revenues – local	1,092,718	121,413	1,214,131	162,779	171,378	1,548,288	1,405,503

The notes to the financial statements are an integral part of this statement.

**LAKE ERIE TRANSPORTATION COMMISSION**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET ASSETS  
(MDOT SCHEDULE 3)**

**For the Year Ended June 30, 2008  
With Comparative Totals for the Year Ended June 30, 2007**

	<u>LSS</u>		<u>ETS</u>		<u>Bedford</u>		<u>Totals</u>	
	<u>Urban</u>	<u>Nonurban</u>	<u>Total</u>	<u>Nonurban</u>	<u>Urban</u>	<u>Urban</u>	<u>2008</u>	<u>2007</u>
<b>Grants:</b>								
CMAQ	\$ 48,388	\$ 5,378	\$ 53,766	\$	\$ 126,506	\$	\$ 180,272	\$ 245,000
Act 51	845,330	93,926	939,256	273,952	52,133		1,265,341	1,208,312
Section 5311		40,875	40,875	122,320			163,195	172,947
RTAP	5,293	588	5,881				5,881	4,052
Section 5307	<u>305,859</u>		<u>305,859</u>				<u>305,859</u>	<u>304,704</u>
Total grant revenues	<u>1,204,870</u>	<u>140,767</u>	<u>1,345,637</u>	<u>396,272</u>	<u>178,639</u>		<u>1,920,548</u>	<u>1,935,015</u>
Total nonoperating revenues	<u>2,297,588</u>	<u>262,180</u>	<u>2,559,768</u>	<u>559,051</u>	<u>350,017</u>		<u>3,468,836</u>	<u>3,340,518</u>
Net income (loss)			(181,333)	32,931	(6,277)		(154,679)	75,245
Net assets – beginning of year			1,926,826	107,296	13,461		2,047,583	1,972,338
Adjustment for prior year settlement								
Net assets – end of year			<u>\$ 1,745,493</u>	<u>\$ 140,227</u>	<u>\$ 7,184</u>		<u>\$ 1,892,904</u>	<u>\$ 2,047,583</u>

# LAKE ERIE TRANSPORTATION COMMISSION

## STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2008 and 2007

### INCREASE IN CASH

	<u>2008</u>	<u>2007</u>
<b>Cash flows from operations:</b>		
Cash received from passenger fares and contracts	\$ 323,939	\$ 329,491
Cash paid to suppliers and employees	<u>(3,778,042)</u>	<u>(3,628,916)</u>
Net cash used in operating activities	<u>(3,454,103)</u>	<u>(3,299,425)</u>
<b>Cash flows from capital financing activities:</b>		
Purchase of capital assets	<u>(34,661)</u>	<u>                    </u>
<b>Cash flows from noncapital financing activities:</b>		
Property tax and contributions from local governments and agencies	1,460,982	1,334,907
Federal and State grants	1,908,097	1,994,240
Increase (decrease) in deferred revenue	(10,037)	44,429
Increase (decrease) in accrued sick pay	(1,102)	958
Increase (decrease) in accrued vacation	<u>685</u>	<u>3,207</u>
Net cash provided by financing activities	<u>3,358,625</u>	<u>3,377,741</u>
<b>Cash flows from investing activities:</b>		
Interest received	<u>87,306</u>	<u>70,596</u>
Net increase in cash	(42,833)	148,912
Cash at beginning of year	<u>1,809,901</u>	<u>1,660,989</u>
Cash at end of year	<u>\$ 1,767,068</u>	<u>\$ 1,809,901</u>

Cash includes amounts in demand deposits as well as investments with a maturity date within three months of the date acquired.

**LAKE ERIE TRANSPORTATION COMMISSION**

**STATEMENTS OF CASH FLOWS**

**For the Year Ended June 30, 2008 and 2007**

**RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED  
IN OPERATING ACTIVITIES**

	<u><b>2008</b></u>	<u><b>2007</b></u>
Net operating loss	<u><b>\$ (3,623,515)</b></u>	<u><b>\$ (3,265,273)</b></u>
<b>Adjustments to reconcile net loss to net cash used in operating activities:</b>		
Depreciation	38,974	37,242
(Increase) decrease in receivables	(6,717)	(22,191)
(Increase) decrease in prepaid supplies	(25,209)	(25,551)
(Increase) decrease in prepaids	19,163	(28,561)
(Decrease) increase in accounts payable	141,379	2,091
(Decrease) increase in other payables	<u>1,822</u>	<u>2,818</u>
Total adjustments	<u>169,412</u>	<u>(34,152)</u>
Net cash used in operating activities	<u><b>\$ (3,454,103)</b></u>	<u><b>\$ (3,299,425)</b></u>

# LAKE ERIE TRANSPORTATION COMMISSION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2008

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For financial reporting purposes, Lake Erie Transportation Commission includes all funds and accounts that are controlled by the Commission.

Lake Erie Transportation Commission is a primary governmental unit with no outside component units.

Lake Erie Transportation Commission (LETC) is engaged under contract with the Suburban Mobility Authority for Regional Transportation (SMART) to set policy and provide funding for public transportation to Monroe County residents, with the Monroe Essential Transportation Service giving priority to elderly and physically and mentally impaired persons, and the Bedford and Lake Erie Local Service System providing general public transportation. Under the terms of the contract, transportation equipment is provided by SMART. The building and grounds presently occupied by the Commission are owned by SMART and made available rent free.

Management services are provided under contract with SMART by First Transit America, a Division of FirstGroup America, Inc.

The accounting policies of Lake Erie Transportation Commission conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies:

Effective July 1, 2003, Lake Erie Transportation Commission implemented the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in the statement include the following:

- ◆ A Management's Discussion and Analysis (MD&A) section providing an analysis of the Commission's overall financial position and results of operations has been included with the financial statements.
- ◆ Financial statements prepared using full accrual accounting for all of the Commission's activities.
- ◆ A change in the fund financial statements to focus on the major fund.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The Commission has elected to implement the general provisions of the statement.

#### **Basic Financial Statements – Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Revenues, Expenditures, and Changes in Fund Net Assets) report information on the activities of the Commission. Lake Erie Transportation Commission consists solely of a business-type activity; no governmental-type activity exists.

# LAKE ERIE TRANSPORTATION COMMISSION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2008

### NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The financial statements are provided for the business-type fund which is the same as the governmental-wide financial statements.

The major individual fund (General Operating Fund) is reported in the financial statements.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

LETC uses the accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available for use in current operations. Expenses are recorded when the liability is incurred.

LETC accounts for its operations in a manner similar to private business enterprises, where the intent of LETC is that the costs (expenses including depreciation) of providing services to the general public on a continuing basis are financed through user charges, SMART subsidy, or local tax revenues. LETC is deemed to be an enterprise fund.

Monroe Essential Transportation Services (ETS), Lake Erie Local Service System (LSS), and Bedford Local Service System share common expenses. These expenses were allocated at year-end based on the number of actual bus hours, bus miles, and peak number of buses operated by each system during the year.

**Cash and Investments** – Cash and cash investments are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are reported at fair value.

**Fixed Assets and Depreciation** – Fixed assets are stated at cost. Cost relating to maintenance and repairs are charged to expense. Provisions for depreciation of equipment are computed on the straight-line method. Depreciation rates are designed to amortize the cost of the assets over their estimated useful lives. The estimated lives are defined in the R & E Manual and should be approved by the Bureau of Passenger Transportation (BPT).

**Estimates** – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**LAKE ERIE TRANSPORTATION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**NOTE 2: ADVANCE FROM SMART**

SMART continues its advance to LETC in the sum of \$150,000, as the estimated amount of working capital funds required to maintain proper fiscal management. The advanced funds shall be deducted over the last two reimbursement payments under the current contract with SMART unless a successor contract has been entered into between the parties which provides for the continuance of the advance.

**NOTE 3: ACCRUED SICK AND VACATION PAY**

As provided in the union contract between LETC and the United Steelworkers of America, Local 2511, all non-probationary employees are eligible to accumulate sick leave to a maximum of forty (40) days. Leave is accumulated at three-quarters (3/4) days per month worked. At June 30, 2008, the liability for unused sick leave was \$30,122.

Also, LETC has accumulated vacation pay for those employees who have unused vacation time up to their anniversary date. The liability at June 30, 2008 was \$51,772.

**NOTE 4: SETTLEMENTS RECEIVABLE AND PAYABLE**

Estimated settlements due from SMART are as follows:

<u>Fiscal Year</u>	<u>Total Settlement</u>
2004-2005 Sec 5311	228
2005-2006 Act 51 (Payable)	(165,199)
2006-2007 Sec 5311	5,131
2007-2008 Sec 5307	<u>221,700</u>
	<u>\$ 61,860</u>

This receivable account also included June 2008 monthly grant payments from SMART totaling \$126,207.

Estimated settlements due to SMART on Act 51 and Section 5311 are as follows:

<u>Fiscal Year</u>	<u>Total Settlement</u>
1999---2000 Sec 5311	\$ 1,098
2000---2001 (Receivable) Sec 5311	(1,764)
2001 - 2002 Sec 5311	7,430
2002 - 2003 Sec 5311	32
2003 - 2004 Sec 5311	375
2005 - 2006 Sec 5311	5,791
2006 - 2007 Act 51	<u>138,649</u>
	<u>\$ 151,611</u>

The settlements payable are included in the amount 'Due to Smart' shown in the financial statements.

This payable account also included the June 2008 monthly expenses of \$16,127 reimbursed to SMART.

# LAKE ERIE TRANSPORTATION COMMISSION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2008

### NOTE 5: FUNDING FROM SMART

SMART funding of the three systems operated by LETC consists of Federal and State funds which are received through SMART. Funding for the fiscal year ending June 30, 2008 was as follows:

<u>Amounts Received</u>	<u>LSS</u>	<u>ETS</u>	<u>Bedford</u>	<u>Adjustment For Fiscal Year 2006 – 2007 Settlements</u>	<u>Total</u>
<b>Federal Funds:</b>					
Section 5311	\$ 44,231	\$ 113,833	\$	\$ 5,131	\$ 163,195
Section 5307	295,603			10,256	305,859
CMAQ	180,272				180,272
<b>State Funds:</b>					
Act 51	<u>1,047,990</u>	<u>279,798</u>	<u>76,202</u>	<u>(138,649)</u>	<u>1,265,341</u>
Total	<u>\$ 1,568,096</u>	<u>\$ 393,631</u>	<u>\$ 76,202</u>	<u>\$ (123,262)</u>	<u>\$ 1,914,667</u>

Included in the above amounts are expenses incurred by SMART on behalf of LETC in the amount of \$193,868.

### NOTE 6: DEPOSITS AND INVESTMENTS

#### Investment Policy

**Credit Risk** – State statutes authorize Lake Erie Transportation Commission to invest in obligations of the U.S. Treasury, agencies, and instrumentalities: Commercial paper within the three highest rate classifications by at least two rating services; bankers' acceptance of U.S. banks, U.S. or agency repurchase agreements; savings accounts and certificates of deposit with banks and savings and loan associations, or credit unions that are insured with the applicable federal agency. Public funds of Lake Erie Transportation Commission may not be deposited in financial institutions located in states other than Michigan. The Commission has authorized one depository, Fifth Third Bank.

The Commission has no policy on limiting uninsured or uncollateralized deposits. Nor does it have a policy on limiting concentration of credit risk.

**Interest Rate Risk** – The Commission has no policy on interest rate risk.

#### Custodial Credit Risks – Deposits

All deposits are in the form of checking accounts with Fifth Third Bank. The carrying value of LETC's deposits was \$339,351 at June 30, 2008 and the bank balances were \$387,648. Of the bank balance, \$287,648 was uninsured and uncollateralized and \$100,000 was covered by Federal depository insurance.



**LAKE ERIE TRANSPORTATION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**NOTE 6: DEPOSITS AND INVESTMENTS (Continued)**

**Custodial Credit Risks – Investments**

All investments are with Fifth Third Securities, Inc. Investments at June 30, 2008 consist of:

	<u><b>Market Value</b></u>
U.S. Government Money Market Fund, fixed, 2.01%	\$ 380,619
Federal Home Loan Mortgage, 4.00%, 3-15-11	72,383
Federal National Mortgage Association, 6.35%, 9-25-23	212,860
Savings Account	28,326
Federal Home Loan Mortgage, 3.00%, 12-15-21	4,801
Federal Home Loan Mortgage, 4.00%, 5-15-24	309,052
Federal Home Loan Mortgage, 4.50%, 7-15-26	120,802
Federal Home Loan Mortgage, 4.75%, 9-15-28	164,229
Federal Home Loan Mortgage, 5.00%, 5-15-29	6,909
Federal Home Loan Mortgage, 5.25% 7-15-31	<u>127,736</u>
	<u><b>\$ 1,427,717</b></u>

The above investments are not exposed to credit risks.

**Interest Rate Risks – Investments**

The money market investment is not subject to interest rate risks because its shares are always valued at \$1.00. The government securities have interest rate risks as shown above by their maturities and interest rates.

**NOTE 7: TAX REVENUE**

During 2007, Frenchtown Township levied .500 mills for the LSS System based on a property taxable value of \$1,154,885,224 and the City of Monroe levied .4896 mills for the LSS System based on a property taxable value of \$995,004,440.

**NOTE 8: CAPITAL ASSETS**

All buildings, vehicles, and equipment used by Lake Erie Transportation Commission are owned by SMART or the State of Michigan.

The capital asset values shown on the financial statements represent LETC's share of funding of the transfer station (building) and certain vehicles.

# LAKE ERIE TRANSPORTATION COMMISSION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2008

### NOTE 8: CAPITAL ASSETS (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Capital assets:</b>				
Building	\$ 229,035	\$ 34,661	\$	\$ 263,696
Vehicles	<u>256,246</u>	<u>          </u>	<u>          </u>	<u>256,246</u>
	<u>485,281</u>	<u>34,661</u>	<u>-</u>	<u>519,942</u>
<b>Less – Accumulated Depreciation</b>				
Building	38,788	11,452		50,240
Vehicles	<u>157,941</u>	<u>27,522</u>	<u>          </u>	<u>185,463</u>
	<u>196,729</u>	<u>38,974</u>	<u>-</u>	<u>235,703</u>
<b>Net capital assets</b>	<u>\$ 288,552</u>	<u>\$ (4,313)</u>	<u>\$ -</u>	<u>\$ 284,239</u>

### NOTE 9: CONTINGENCIES

Lake Erie Transportation Commission is subrecipient of mass transit operating assistance funds from the State of Michigan and the Federal Government. Suburban Mobility Authority for Regional Transportation (SMART) is the primary recipient of these funds passing them through to Lake Erie Transportation.

The State of Michigan conducts examinations of prior years' eligible cost related to this funding and may raise questions concerning eligibility of certain costs for reimbursement. The ultimate outcome cannot presently be determined. Accordingly, no provision for any loss that may result from the resolution of this matter has been made in the accompanying financial statements.

### NOTE 10. PENSION PLANS

Lake Erie Transportation Commission has two pension plans.

One plan covers union employees. This plan is a multi-employer defined benefit plan administered by the Steelworkers Pension Trust. The plan is funded by employer contribution only. The contribution for fiscal year 2007-08 was \$40,472. No current actuarial information is available.

The second pension plan for all other full-time employees is a money purchase plan through the Michigan Employees Retirement System (MERS) and the plan administrator is the ICMA Retirement Corporation. The plan is funded by employer only based on 2% of participant's earnings. This contribution was \$7,941.

# LAKE ERIE TRANSPORTATION COMMISSION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2008

### NOTE 11: COST ALLOCATION

Lake Erie Transportation Commission's transit systems' cost allocation plans are under Suburban Mobility Authority for Regional Transportation (SMART) (Charter 1983). And, the Lake Erie Transit (LSS System) urban/nonurban cost allocation was approved by MDOT on July 31, 2003.

### NOTE 12: INELIGIBLE EXPENSE

Ineligible expenses are classified appropriately to the definition in the Local Public Revenue and Expense Manual. The following are adjustments to eligible expenses:

#### APTA Dues

APTA dues were paid in fiscal year 2007-2008 and a portion (14%) represents lobbying expenses.

#### Depreciation

Depreciations expense is a non-allowable expense because in this case it represents partial expensing of the local contribution on the buses and street car purchased, and transfer facility which did not have the asset lives approved by Bureau of Passenger Transportation (BPT)

#### Audit Fee

A transit agency was required to have a single audit for the prior year. As such, the cost of the annual financial audit was not an eligible expense under Section 5311 in FY 2006-07.

#### Section 5307 Funding

Section 5307 money used to pay for operating expenses are subtracted from eligible expenses for Federal and State formula operating funds.

#### CMAQ Grant Funding

CMAQ grant funds are subtracted from eligible expenses for Federal and State formula operating funds.

#### RTAP Funding

RTAP funds used for training are subtracted from eligible expenses for Federal and State formula operating funds.

### NOTE 13: NONFINANCIAL DATA

The methodology used for compiling mileage and hours shown on schedules in this audit report were found to be adequate and reliable.

# LAKE ERIE TRANSPORTATION COMMISSION

## LOCAL REVENUE (MDOT SCHEDULE 1)

For the Year Ended June 30, 2008

	LSS			ETS			Bedford		
	7/1/07 9/30/07	10/1/07 6/30/08	Total	7/01/07 9/30/07	10/1/07 6/30/08	Total	7/01/07 9/30/07	10/01/07 6/30/08	Total
Line Haul – Farebox (Urban)	\$ 21,363	\$ 72,591	\$ 93,954	\$	\$	\$	\$	\$	\$
Demand Response – Farebox (Urban)	3,647	11,619	15,266				2,344	7,024	9,368
Demand Response – Farebox (Nonurban)	3,646	11,620	15,266	8,487	25,084	33,571			
Contracts – CMH				38,570	124,661	163,231			
Other – CMH	181		181						
City of Monroe – taxes	440,068	22,359	462,427						
Frenchtown Township - taxes	1,246	568,144	569,390						
Monroe Township		26,390	26,390						
Bedford support				41,052	121,727	162,779	67,888	103,490	171,378
Commission on Aging									
Interest income	6,133	81,173	87,306						
Advertising	9,987	57,666	67,653						
Other	3	781	784						
Totals	\$ 486,274	\$ 852,343	\$ 1,338,617	\$ 88,109	\$ 271,472	\$ 359,581	\$ 70,232	\$ 110,514	\$ 180,746

**LAKE ERIE TRANSPORTATION COMMISSION**

**LOCAL REVENUE  
(MDOT SCHEDULE 1A and 4R)**

**For the Year Ended September 30, 2007**

	<b>LSS</b>			<b>ETS</b>			<b>Bedford</b>			<b>Grand</b>
	<b>10/1/06</b>	<b>7/1/07</b>	<b>Total</b>	<b>10/01/06</b>	<b>7/1/07</b>	<b>Total</b>	<b>10/01/06</b>	<b>7/01/07</b>	<b>Total</b>	<b>Total</b>
	<b>6/30/07</b>	<b>9/30/07</b>		<b>6/30/07</b>	<b>9/30/07</b>		<b>6/30/07</b>	<b>9/30/07</b>		
Line Haul – Farebox (Urban)	\$ 72,933	\$ 21,363	\$ 94,296	\$	\$	\$	\$	\$	\$	\$ 94,296
Demand Response – Farebox (Urban)	13,872	3,647	17,519				5,343	2,344	7,687	25,206
Demand Response – Farebox (Nonurban)	13,871	3,646	17,517	27,576	8,487	36,063				53,580
Contracts – CMH				144,687	38,570	183,257				183,257
Other – CMH	673	181	854							854
City of Monroe – taxes	85,155	440,068	525,223							525,223
Frenchtown Township – taxes	564,141	1,246	565,387							565,387
Monroe Township	25,535		25,535							25,535
Bedford support							48,330	67,888	116,218	116,218
Commission on Aging				122,013	41,052	163,065				163,065
Interest income	63,685	6,133	69,818	847		847				70,665
Advertising	14,244	9,987	24,231							24,231
Other	985	3	988							988
<b>Totals</b>	<b>\$ 855,094</b>	<b>\$ 486,274</b>	<b>\$ 1,341,368</b>	<b>\$ 295,123</b>	<b>\$ 88,109</b>	<b>\$ 383,232</b>	<b>\$ 53,673</b>	<b>\$ 70,232</b>	<b>\$ 123,905</b>	<b>\$ 1,848,505</b>

**LAKE ERIE TRANSPORTATION COMMISSION**  
**SCHEDULE OF OPERATING EXPENSES - BUDGET AND ACTUAL**  
**(MDOT SCHEDULE 3)**

For the Year Ended June 30, 2008

With Comparative Totals for the Year Ended June 30, 2007

	Urban (A)	LSS Nonurban (B)	Total	ETS Nonurban	Bedford Urban (B)	Total	2008 Budget	2007 Total
<b>Operations:</b>								
Drivers' wages	\$ 746,684	\$ 82,965	\$ 829,649	\$ 175,069	\$ 92,698	\$ 1,097,416	\$ 1,050,533	\$ 1,067,779
Supervisor salary	71,913	7,990	79,903	16,861	8,928	105,692	118,263	88,921
Dispatchers' wages	77,246	8,583	85,829	18,111	9,590	113,530	154,807	118,886
Fringe benefits	412,314	45,812	458,126	96,672	51,187	605,985	596,459	572,045
Fuel and lubricants	254,407	28,268	282,675	75,186	46,001	403,862	316,750	278,239
Tires and tubes	11,775	1,308	13,083	3,480	2,129	18,692	30,000	19,525
Other materials	9,715	1,080	10,795	2,278	1,206	14,279	6,003	7,675
Vehicle insurance	88,369	9,819	98,188	34,655	11,552	144,395	148,000	157,591
Miscellaneous	4,118	458	4,576	965	512	6,053	10,000	12,625
Depreciation	24,905	2,767	27,672	9,743	1,559	38,974		37,242
Total operations	1,701,446	189,050	1,890,496	433,020	225,362	2,548,878	2,430,815	2,360,528
<b>Maintenance:</b>								
Wages	243,651	27,072	270,723	72,007	44,056	386,786	395,492	377,206
Fringe benefits	117,450	13,050	130,500	34,711	21,237	186,448	183,666	174,393
Other services	29,277	3,253	32,530	8,652	5,294	46,476	37,000	41,605
Materials	84,930	9,437	94,367	25,100	15,357	134,824	115,000	109,781
Miscellaneous	1,407	156	1,563	416	254	2,233	5,227	1,946
Total maintenance	476,715	52,968	529,683	140,886	86,198	756,767	736,385	704,931
<b>Administrative:</b>								
Wages	61,777	6,864	68,641	24,226	8,075	100,942	97,069	73,490
Fringe benefits	18,724	2,080	20,804	7,343	2,448	30,595	48,988	29,353
Professional services	173,783	19,309	193,092	62,089	25,127	280,308	287,243	249,663
Supplies	10,123	1,125	11,248	3,970	1,323	16,541	17,000	11,997
Utilities	39,265	4,363	43,628	15,398	5,133	64,159	50,000	39,170
Telephone	22,562	2,507	25,069	8,848	2,949	36,866	35,000	33,440
Insurance	15,011	1,668	16,679	5,887	1,962	24,528	25,000	32,816
Travel and meetings	3,501	389	3,890	1,373	458	5,721	20,000	2,648
Advertising and promotion	37,744	4,194	41,938	14,802	4,934	61,674	30,000	58,165
Miscellaneous	12,954	1,439	14,393	5,080	1,693	21,166	5,000	15,824
Total administrative	395,444	43,938	439,382	149,016	54,102	642,500	615,300	546,566
RTAP expense	5,423	603	6,026	-	-	6,026	-	4,930
Total operating expenses	\$ 2,579,028	\$ 286,559	\$ 2,865,587	\$ 722,922	\$ 365,662	\$ 3,954,171	\$ 3,782,500	\$ 3,616,955

(A) Expenses relate to Section 5307 funding (MI-90-4541-00)

(B) Expenses relate to CMAQ funding (MI-95-X011-00)

**LAKE ERIE TRANSPORTATION COMMISSION**

**SCHEDULE OF GRANT EXPENSES  
(MDOT SCHEDULE 3)**

**For the Year Ended June 30, 2008**

	<b>MI-90-4541</b>	<b>MI-90-X566</b>	<b>Total</b>	<b>MI-95-X011-00</b>
	<b>FY 07</b>	<b>FY 08</b>	<b>FY 07</b>	<b>FY 08</b>
	<b><u>Sec 5307</u></b>	<b><u>Sec 5307</u></b>	<b><u>Sec 5307</u></b>	<b><u>CMAQ</u></b>
<b>Operations:</b>				
Driver's wages	\$ 27,927	\$ 62,403	\$ 90,330	\$ 47,883
Supervisor salary	2,309	6,305	8,614	4,612
Dispatcher's wages	2,306	6,907	9,213	4,954
Fringe benefits	14,519	35,157	49,676	26,441
Fuel and lubricant	8,648	21,933	30,581	21,324
Tires and tubes	416	1,003	1,419	987
Other materials	185	950	1,135	623
Vehicle insurance	3,224	7,448	10,672	5,869
Miscellaneous	<u>88</u>	<u>395</u>	<u>483</u>	<u>263</u>
Total operations	<u>59,622</u>	<u>142,501</u>	<u>202,123</u>	<u>112,956</u>
<b>Maintenance:</b>				
Wage	8,566	20,809	29,375	20,422
Fringe benefits	3,959	10,152	14,111	10,088
Other services	818	2,661	3,479	2,454
Materials	3,637	6,741	10,378	7,119
Miscellaneous	<u>2</u>	<u>157</u>	<u>159</u>	<u>117</u>
Total maintenance	<u>16,982</u>	<u>40,520</u>	<u>57,502</u>	<u>40,200</u>
<b>Administrative:</b>				
Wages	2,301	5,177	7,478	4,102
Fringe benefits	614	1,631	2,245	1,243
Professional services	1,365	18,523	19,888	12,395
Supplies	194	989	1,183	673
Utilities	629	3,931	4,560	2,608
Telephone	747	1,961	2,708	1,498
Insurance	621	1,208	1,829	997
Travel & meetings	188	248	436	232
Advertising	745	3,671	4,416	2,507
Miscellaneous	<u>151</u>	<u>1,340</u>	<u>1,491</u>	<u>861</u>
Total administrative	<u>7,555</u>	<u>38,679</u>	<u>46,234</u>	<u>27,116</u>
Total expenses	<u>\$ 84,159</u>	<u>\$ 221,700</u>	<u>\$ 305,859</u>	<u>\$ 180,272</u>

**LAKE ERIE TRANSPORTATION COMMISSION**  
**SCHEDULE OF NET ELIGIBLE COSTS COMPUTATION**  
**(MDOT SCHEDULE 2A, 3A)**

**For the Year Ended June 30, 2008**

	<b>LAKE ERIE LOCAL SERVICE SYSTEM</b>	
	<b><u>7/01/07</u> <u>9/30/07</u></b>	<b><u>10/01/07</u> <u>6/30/08</u></b>
<b>Expenses:</b>		
Operations	\$ 455,823	\$ 1,434,673
Maintenance	129,605	400,078
Administrative	57,540	381,842
RTAP expenses	<u>2,420</u>	<u>3,606</u>
Total expenses	645,388	2,220,199
<b>Ineligible expenses:</b>		
Less: Depreciation expense	(6,918)	(20,754)
Less: RTAP expenses reimbursed	(2,381)	(3,500)
Less: Section 5703 funding	(84,159)	(221,700)
Less: CMAQ	(5,444)	(48,322)
Less: APTA Dues		(41)
Less: Advertising expenses reimbursed	<u>(2,326)</u>	<u>(11,842)</u>
Net eligible expenses – Act 51	<u>\$ 544,160</u>	<u>\$ 1,914,040</u>
Net eligible expenses – Section 5311 – 10%	<u>\$ 54,416</u>	<u>\$ 191,404</u>
Net eligible expenses – Section 5307 – 90% (Sec. 5307 deduction added back)	<u>\$ 565,487</u>	<u>\$ 1,922,166</u>
<b>Grant Reimbursement Received – Act 51, Section 5311, and Section 5307 (Cash Basis)</b>		
Act 51	259,716	741,051
Section 5311	11,433	32,798
Section 5307	<u>295,603</u>	<u></u>
Total grant reimbursement	<u>\$ 566,752</u>	<u>\$ 773,849</u>



MONROE ESSENTIAL TRANSPORTATION SERVICES		BEDFORD LOCAL SERVICE SYSTEM		<u>Total</u>
<u>7/01/07</u> <u>9/30/07</u>	<u>10/01/07</u> <u>6/30/08</u>	<u>7/01/07</u> <u>9/30/07</u>	<u>10/01/07</u> <u>6/30/08</u>	
\$ 112,836	\$ 320,184	\$ 48,572	\$ 176,790	\$ 2,548,878
40,855	100,031	18,668	67,530	756,767
20,308	128,708	6,769	47,333	642,500
				<u>6,026</u>
173,999	548,923	74,009	291,653	3,954,171
(2,435)	(7,308)	(390)	(1,169)	(38,974)
				(5,881)
				(305,859)
		(37,291)	(89,215)	(180,272)
				(41)
				<u>(14,168)</u>
<u>\$ 171,564</u>	<u>\$ 541,615</u>	<u>\$ 36,328</u>	<u>\$ 201,269</u>	<u>\$ 3,408,976</u>
				<u>\$ 245,820</u>
				<u>\$ 2,487,653</u>
\$ 76,587	\$ 203,211	\$ 20,442	\$ 68,868	\$ 1,369,875
23,897	89,936			158,064
				<u>295,603</u>
<u>\$ 100,484</u>	<u>\$ 293,147</u>	<u>\$ 20,442</u>	<u>\$ 68,868</u>	<u>\$ 1,823,542</u>

**LAKE ERIE TRANSPORTATION COMMISSION**  
**SCHEDULE OF NET ELIGIBLE COSTS COMPUTATION**  
**(MDOT SCHEDULE 2B, 3B, 4E, 5)**

**For the Year Ended September 30, 2007**

	<b>LAKE ERIE LOCAL SERVICE SYSTEM (Nonurban)</b>		
	<b>10/1/06</b>	<b>7/1/07</b>	<b>Total</b>
	<b><u>6/30/07</u></b>	<b><u>9/30/07</u></b>	
<b>Expenses:</b>			
Operations	\$ 1,339,114	\$ 455,823	\$ 1,794,937
Maintenance	396,387	129,605	525,992
Administrative	288,853	57,540	346,393
RTAP expenses	<u>2,300</u>	<u>2,420</u>	<u>4,720</u>
Total expenses	2,026,654	645,388	2,672,042
<b>Ineligible expenses:</b>			
Less: Depreciation expense	(19,835)	(6,918)	(26,753)
Less: RTAP expenses reimbursed	(1,422)	(2,381)	(3,803)
Less: Section 5703 funding	(211,444)	(84,159)	(295,603)
Less: CMAQ	(51,970)	(5,444)	(57,414)
Less: APTA Dues	(41)		(41)
Less: Advertising expenses reimbursed	<u>(4,788)</u>	<u>(2,326)</u>	<u>(7,114)</u>
Net eligible expenses – Act 51	<u>\$ 1,737,154</u>	<u>\$ 544,160</u>	<u>\$ 2,281,314</u>
Less: Audit fee	<u>(5,662)</u>		<u>(5,662)</u>
Net eligible expenses – Section 5311	<u>\$ 1,731,492</u>	<u>\$ 544,160</u>	<u>\$ 2,275,652</u>
Net eligible expenses – Section 5311 – 10%			<u>\$ 227,565</u>
Net eligible expenses – Section 5307 – 90% (Sec. 5307 deduction added back)			<u>\$ 2,314,130</u>
<b>Maximum Reimbursement:</b>			
Act 51 (40.1365% of eligible expenses) Nonurban			<u>\$ 915,640</u>
Act 51 (33.7086% of eligible expenses) Urban			
Section 5311 (17% of eligible expenses)			<u>\$ 38,686</u>
<b>Grant Reimbursement Received – Act 51, Section 5311, and Section 5307 (Cash Basis)</b>			
Act 51	779,157	259,716	1,038,873
Section 5311	30,672	11,433	42,105
Section 5307		<u>295,603</u>	<u>295,603</u>
Total grant reimbursement	<u>\$ 809,829</u>	<u>\$ 566,752</u>	<u>\$ 1,376,581</u>

MONROE ESSENTIAL TRANSPORTATION SERVICES (Nonurban)			BEDFORD LOCAL SERVICE SYSTEM (Urban)		
<u>10/1/06</u> <u>6/30/07</u>	<u>7/1/07</u> <u>9/30/07</u>	<u>Total</u>	<u>10/1/06</u> <u>6/30/07</u>	<u>7/1/07</u> <u>9/30/07</u>	<u>Total</u>
\$ 318,590	\$ 112,836	\$ 431,426	\$ 121,704	\$ 48,572	\$ 170,276
109,098	40,855	149,953	46,646	18,668	65,314
103,179	20,308	123,487	34,537	6,769	41,306
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
530,867	173,999	704,866	202,887	74,009	276,896
(6,982)	(2,435)	(9,417)	(1,118)	(390)	(1,508)
			(67,495)	(37,291)	(104,786)
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<u>\$ 523,885</u>	<u>\$ 171,564</u>	<u>\$ 695,449</u>	<u>\$ 134,274</u>	<u>\$ 36,328</u>	<u>\$ 170,602</u>
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
(1,915)		(1,915)			
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<u>\$ 521,970</u>	<u>\$ 171,564</u>	<u>\$ 693,534</u>			
		<u>\$ 279,129</u>			<u>\$ 57,508</u>
		<u>\$ 117,901</u>			
\$ 209,322	\$ 76,587	\$ 285,909	\$ 61,326	\$ 20,442	\$ 81,768
86,238	23,897	110,135			
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<u>\$ 295,560</u>	<u>\$ 100,484</u>	<u>\$ 396,044</u>	<u>\$ 61,326</u>	<u>\$ 20,442</u>	<u>\$ 81,768</u>

**LAKE ERIE TRANSPORTATION COMMISSION**

**SCHEDULE OF MILEAGE DATA**

**For the Year Ended June 30, 2008**

	<u>LSS</u>	<u>ETS</u>	<u>Bedford</u>	<u>Total Mileage</u>
<b><u>Demand Response:</u></b>				
First Quarter	\$ 141,324	\$ 44,549	\$ 20,356	\$ 206,229
Second Quarter	141,629	40,047	24,094	205,770
Third Quarter	145,958	33,672	25,148	204,778
Fourth Quarter	<u>146,396</u>	<u>34,753</u>	<u>24,025</u>	<u>205,174</u>
Total operation	<u>\$ 575,307</u>	<u>\$ 153,021</u>	<u>\$ 93,623</u>	<u>\$ 821,951</u>

**LAKE ERIE TRANSPORTATION COMMISSION**  
**REGULAR SERVICE NONFINANCIAL REPORTN**  
**(MDOT SCHEDULE 4N)**

**For the Year Ended September 30, 2007**

<b>Description</b>	<b><u>Weekday</u></b>	<b><u>Saturday</u></b>	<b><u>Total</u></b>
LSS - Linehaul (Urban)			
Vehicle hours	26,556	2,076	28,632
Vehicle miles	307,764	25,349	333,113
LSS – Demand response (Urban/Nonurban)			
Vehicle hours	11,905	662	12,567
Vehicle miles	192,556	10,934	203,490
ETS - Demand response (Nonurban)			
Vehicle hours	8,863		8,863
Vehicle miles	144,090		144,090
Bedford – Demand response (Urban)			
Vehicle hours	3,968		3,968
Vehicle miles	56,698		56,698

Above figures are operating hours and miles.

Above figures include 1,066 hours under the LSS System and 2,172 hours under the Bedford System were reimbursed by a CMAQ Grant at 80% of cost.

**LAKE ERIE TRANSPORTATION COMMISSION**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
(MDOOT SCHEDULE 2)**

**For the Year Ended June 30, 2008**

<u>Federal and State Grant/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant No. Authorization Number</u>	<u>Program Award Amount</u>	<u>Total</u>	<u>Current Year's Expenditures Federal</u>	<u>State</u>	<u>Local</u>
<b><u>United States Department of Transportation</u></b>							
Direct Assistance							
Transit operating grant - Section 5307	20.507	MI-90-4541-00	\$ 304,704	\$ 84,159	\$ 84,159	\$	\$
Transit operating grant - Section 5307	20.507	MI-90-X566-00	295,600	221,700	221,700		
Pass-Through Michigan Department of Transportation							
Operating Assistance - Section 5311	20.509	2007-0294/Z2	Formula	38,417	38,417		
Operating Assistance - Section 5311	20.509	MI-18-X042	Formula	124,778	124,778		
Congestion, Mitigation and Quantity Improvement Program (CMAQ)	20.507	MI-95-X011-00	310,336	225,340	180,272		45,068
Rural Transit Assistance Program (RTAP)	20.215	N/A	7,000	6,026	5,881		145
<b>Total Federal</b>				<b>\$ 700,420</b>	<b>\$ 655,207</b>	<b>\$</b>	<b>\$ 45,213</b>
<b><u>Michigan Department of Transportation</u></b>							
Operating Assistance - Act 51							
Urban			Formula	1,165,985		1,165,985	
Prior Year Settlements - Act 51				47,223			
Nonurban			Formula	65,241		65,241	
Prior Year Settlements - Act 51				(13,108)			
<b>Total State</b>				<b>\$ 1,265,341</b>	<b>\$</b>	<b>\$1,231,226</b>	<b>\$ -</b>

**LAKE ERIE TRANSPORTATION COMMISSION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2007**

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

**FINANCIAL STATEMENTS**

Type of auditors' report issued:	Unqualified		
Internal control over financial reporting:			
* Material weakness(es) identified?	_____	YES	<u>___X</u> NO
* Reportable condition(s) identified that are not considered to be material weaknesses?	_____	YES	<u>___X</u> NONE REPORTED
Noncompliance material to financial statements noted?	_____	YES	<u>___X</u> NO

**FEDERAL AWARDS**

Internal control over major programs:			
* Material weakness(es) identified?	_____	YES	<u>___X</u> NO
* Reportable condition(s) identified that are not considered to be material weaknesses?	_____	YES	<u>___X</u> NONE REPORTED
Type of auditors' report issued on compliance for major program:	Unqualified		
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	_____	YES	<u>___X</u> NO

**LAKE ERIE TRANSPORTATION COMMISSION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2007**

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

**IDENTIFICATION OF MAJOR PROGRAM:**

<u>CFDA Number</u>	<u>Pass Through Entity Identifying Number</u>	<u>Name of Federal Program</u>
20.509	2007-0294/Z2	Section 5311 Operating Assistance
20.509	MI-18-X042	Section 5311 Operating Assistance
20.507	MI-95-X011-00	Congestion, Mitigation, and Quantity Improvement Program (CMAQ)

Dollar Threshold used to distinguish  
between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

X

YES

  

NO

**SECTION II - FINANCIAL STATEMENT FINDINGS**

NONE

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

NONE



## LAKE ERIE TRANSPORTATION COMMISSION

## FEDERAL AND STATE AWARDS

## OPERATING REVENUE

For the Year Ended June 30, 2008

	LAKE ERIE LOCAL SERVICE SYSTEM			MONROE ESSENTIAL TRANSPORTATION SERVICES			BEDFORD LOCAL SERVICE SYSTEM		
	7/1/07	10/1/07	Total	7/1/07	10/1/07	Total	7/1/07	10/1/07	Total
	9/30/07	6/30/08		9/30/07	6/30/08		9/30/07	6/30/08	
United States Department of Transportation Federal Transit Administration	\$ 84,159	\$ 221,700	\$ 305,859	\$	\$	\$	\$	\$	\$
	8,077	32,798	40,875	32,384	89,936	122,320			
	2,420	3,461	5,881						
	5,444	48,322	53,766				37,291	89,215	126,506
Michigan Department of Transportation Act 51	150,982	788,274	939,256	70,741	203,211	273,952	(3,627)	55,760	52,133
Total revenues	\$ 251,082	\$ 1,094,555	\$ 1,345,637	\$ 103,125	\$ 293,147	\$ 396,272	\$ 33,664	\$ 144,975	\$ 178,639

LAKE ERIE TRANSPORTATION COMMISSION

FEDERAL AND STATE AWARDS

OPERATING REVENUE

For the Year Ended September 30, 2007

	LAKE ERIE LOCAL SERVICE SYSTEM			MONROE ESSENTIAL TRANSPORTATION SERVICES			BEDFORD LOCAL SERVICE SYSTEM		
	10/1/06	7/1/07	Total	10/1/06	7/1/07	Total	10/1/06	7/1/07	Total
	6/30/07	9/30/07		6/30/07	9/30/07		6/30/07	9/30/07	
United States Department of Transportation									
Federal Transit Administration									
Section 5307	\$ 211,444	\$ 84,159	\$ 295,603	\$	\$	\$	\$	\$	\$
Section 5311	30,672	8,077	38,749	86,238	32,384	118,622			
RTAP	1,422	2,420	3,842						
CMAQ	51,970	5,444	57,414				67,495	37,291	104,786
Michigan Department of Transportation									
Act 51	779,157	150,982	930,139	209,322	70,741	280,063	61,326	(A) (3,627)	57,699
Total revenues	<u>\$ 1,074,665</u>	<u>\$ 251,082</u>	<u>\$ 1,325,747</u>	<u>\$ 295,560</u>	<u>\$ 103,125</u>	<u>\$ 398,685</u>	<u>\$ 128,821</u>	<u>\$ 33,664</u>	<u>\$ 162,485</u>

(A) Actually received \$20,442 with a settlement adjustment of (\$24,069) for a total of (\$3,627).

**LAKE ERIE TRANSPORTATION COMMISSION**  
**LAKE ERIE LOCAL SERVICE SYSTEM**  
**URBAN/NONURBAN REGULAR SERVICE REVENUE REPORT**

**For the Year Ended September 30, 2007**

<u>Description</u>	<u>Amount</u>
<b>Fairbox Revenue:</b>	
Passenger fares	S 129,332
<b>Auxiliary Transit Revenues:</b>	
Advertising	24,231
Other auxiliary Transit revenues	854
<b>NonTransit Revenues:</b>	
Washing vehicles, garnishment fees, etc.	988
<b>Local Revenue:</b>	
Taxes levied directly for/by Transit Agency	1,090,610
Local operating assistance	25,535
<b>State Formula and Contracts:</b>	
State operating assistance	930,139
<b>Federal Contracts:</b>	
Federal Section 5311 (operating funds only)	38,749
Other capital contract reimbursed for operating expenses (\$295,603 Section 5307; \$57,414 CMAQ)	353,017
<b>RTAP</b>	3,842
<b>Other Revenue:</b>	
Interest income	<u>69,818</u>
Total revenues:	<u>\$ 2,667,115</u>

**LAKE ERIE TRANSPORTATION COMMISSION**  
**LAKE ERIE LOCAL SERVICE SYSTEM**  
**URBAN/NONURBAN REGULAR SERVICE EXPENSE REPORT**

**For the Year Ended September 30, 2007**

<u>Description</u>	<u>Operations</u>	<u>Maintenance</u>	<u>General Admission</u>	<u>Total</u>
<b>Labor:</b>				
Operators salaries and wages	\$ 827,670	\$	\$	\$ 827,670
Other salaries and wages	68,510	272,205	55,718	396,433
Dispatchers' salaries and wages	86,828			86,828
<b>Fringe Benefits:</b>				
Other fringe benefits	419,057	124,302	18,389	561,748
Pensions	23,793	6,588	1,351	31,732
<b>Services:</b>				
Advertising fees			43,153	43,153
Audit cost			5,662	5,662
Other service		30,967	129,229	160,196
<b>Material and Supplies:</b>				
Fuel and lubricants	206,614			206,614
Tires and tubes	15,355			15,355
Other material and supplies	6,004	90,519	7,027	103,550
<b>Utilities:</b>				
Utilities			50,907	50,907
<b>Insurance:</b>				
Liability insurance	105,021			105,021
Other insurance			21,910	21,910
<b>Miscellaneous Expenses:</b>				
Travel, meetings and training	9,332		6,925	16,257
Other miscellaneous expenses		1,411	10,842	12,253
<b>Depreciation:</b>				
Depreciation	<u>26,753</u>			<u>26,753</u>
Total:	<u>\$ 1,794,937</u>	<u>\$ 525,992</u>	<u>\$ 351,113</u>	<u>\$ 2,672,042</u>
<b>Ineligible Expenses</b>				
Depreciation				\$ 26,753
Percent of Association dues				41
Audit fee (for section 5311)				5,662
Expenses associated with advertising				7,114
RTAP				3,803
Other ineligible operating expense paid by Capital Contract (FSL) (\$295,603 Section 5307; \$47,414 CMAQ)				<u>353,017</u>
Total expenses:				<u>\$ 2,672,042</u>
Total ineligible:				<u>\$ 396,390</u>
Total eligible expenses:				<u>\$ 2,275,652</u>

**LAKE ERIE TRANSPORTATION COMMISSION**  
**LAKE ERIE LOCAL SERVICE SYSTEM**  
**URBAN/NONURBAN REGULAR SERVICE NONFINANCIAL REPORT**  
**For Year Ended September 30, 2007**

<b>Description</b>	<b><u>Weekday</u></b>	<b><u>Saturday</u></b>	<b><u>Total</u></b>
Vehicle hours	38,461	2,738	41,199
Vehicle miles	500,320	36,283	536,603

The methodology used for compiling miles and vehicle hours was reviewed and found to be an adequate and reliable method for recording miles and vehicle hours.

**LAKE ERIE TRANSPORTATION COMMISSION**  
**MONROE ESSENTIAL TRANSPORTATION SERVICES**  
**NONURBAN REGULAR SERVICE REVENUE REPORT**

**For Year Ended September 30, 2007**

<u>Description</u>	<u>Amount</u>
<b>Fairbox Revenue:</b>	
Passenger fares	S   36,063
Contract fares	183,257
<b>Local Revenue:</b>	
Local operating assistance	163,065
<b>State Formula and Contracts:</b>	
State operating assistance	280,063
<b>Federal Contracts:</b>	
Federal Section 5311 (operating funds only)	118,622
<b>Other Revenue:</b>	
Interest income	_____ 847
Total revenues:	<u>\$ 781,917</u>

**LAKE ERIE TRANSPORTATION COMMISSION**  
**MONROE ESSENTIAL TRANSPORTATION SERVICES**  
**NONURBAN REGULAR SERVICE REVENUE REPORT**

**For Year Ended September 30, 2007**

<u>Description</u>	<u>Operations</u>	<u>Maintenance</u>	<u>General Admission</u>	<u>Total</u>
<b>Labor:</b>				
Operators salaries and wages	\$ 184,641	\$	\$ 19,665	\$ 184,641
Other salaries and wages	15,292	77,464		112,421
Dispatchers' salaries and wages	19,345			19,345
<b>Fringe Benefits:</b>				
Other fringe benefits	92,293	35,256	6,563	134,112
Pensions	5,791	2,046	520	8,357
<b>Services:</b>				
Advertising fees			15,231	15,231
Audit cost			1,915	1,915
Other service		8,777	46,809	55,586
<b>Material and Supplies:</b>				
Fuel and lubricants	59,395			59,395
Tires and tubes	4,358			4,358
Other material and supplies	3,827	26,020	2,480	32,327
<b>Utilities:</b>				
Utilities			17,967	17,967
<b>Insurance:</b>				
Liability insurance	37,067			37,067
Other insurance			7,733	7,733
<b>Miscellaneous Expenses:</b>				
Travel, meetings and training			778	778
Other miscellaneous expenses		390	3,826	4,216
<b>Depreciation:</b>				
Depreciation	<u>9,417</u>			<u>9,417</u>
Total:	<u>\$ 431,426</u>	<u>\$ 149,953</u>	<u>\$ 123,487</u>	<u>\$ 704,866</u>
<b>Ineligible Expenses</b>				
Depreciation				\$ 9,417
Audit fee (for section 5311)				<u>1,915</u>
Total expenses:				<u>\$ 704,866</u>
Total ineligible:				<u>\$ 11,332</u>
Total eligible expenses:				<u>\$ 693,534</u>

**LAKE ERIE TRANSPORTATION COMMISSION  
MONROE ESSENTIAL TRANSPORTATION SERVICES  
NONURBAN REGULAR SERVICE REVENUE REPORT**

**For Year Ended September 30, 2007**

<b>Description</b>	<b><u>Weekday</u></b>	<b><u>Saturday</u></b>	<b><u>Sunday</u></b>	<b><u>Total</u></b>
Vehicle hours	8,863			8,863
Vehicle miles	144,090			144,090

The methodology used for compiling miles and vehicle hours was reviewed and found to be an adequate and reliable method for recording miles and vehicle hours.



**LAKE ERIE TRANSPORTATION COMMISSION  
BEDFORD SYSTEM**

**URBAN REGULAR SERVICE REVENUE REPORT**

**For Year Ended September 30, 2007**

<u>Description</u>	<u>Amount</u>
<b>Fairbox Revenue:</b>	
Passenger fares	S     7,687
<b>Local Revenue:</b>	
Local operating assistance	116,218
<b>State Formula and Contracts:</b>	
State operating assistance	57,699
<b>Federal Contracts:</b>	
Other capital contract reimbursed for operating Expenses (CMAQ)	<u>104,786</u>
Total revenues:	<u>\$ 286,390</u>

**LAKE ERIE TRANSPORTATION COMMISSION**  
**BEDFORD SYSTEM**  
**URBAN REGULAR SERVICE REVENUE REPORT**  
**For Year Ended September 30, 2007**

<u>Description</u>	<u>Operations</u>	<u>Maintenance</u>	<u>General Admission</u>	<u>Total</u>
<b>Labor:</b>				
Operators salaries and wages	S 73,552	S	S 6,555	S 73,552
Other salaries and wages	6,091	33,779		46,425
Dispatchers' salaries and wages	7,653			7,653
<b>Fringe Benefits:</b>				
Other fringe benefits	37,770	14,909	2,224	54,903
Pensions	1,756	1,278	268	3,302
<b>Services:</b>				
Advertising fees			5,077	5,077
Audit cost			623	623
Other service		3,803	15,633	19,436
<b>Material and Supplies:</b>				
Fuel and lubricants	26,133			26,133
Tires and tubes	1,885			1,885
Other material and supplies	1,573	11,380	827	13,780
<b>Utilities:</b>				
Utilities			5,989	5,989
<b>Insurance:</b>				
Liability insurance	12,355			12,355
Other insurance			2,577	2,577
<b>Miscellaneous Expenses:</b>				
Travel, meetings and training			259	259
Other miscellaneous expenses		165	1,274	1,439
<b>Depreciation:</b>				
Depreciation	<u>1,508</u>			<u>1,508</u>
Total:	<u>\$ 170,276</u>	<u>\$ 65,314</u>	<u>\$ 41,306</u>	<u>\$ 276,896</u>
<b>Ineligible Expenses</b>				
Ineligible depreciation				\$ 1,508
Other ineligible operating expense paid By capital contract (CMAQ)				<u>104,786</u>
Total expenses:				<u>\$ 276,896</u>
Total ineligible:				<u>\$ 106,294</u>
Total eligible expenses:				<u>\$ 170,602</u>

**LAKE ERIE TRANSPORTATION COMMISSION**  
**BEDFORD SYSTEM**  
**URBAN REGULAR SERVICE REVENUE REPORT**  
**For Year Ended September 30, 2007**

<b>Description</b>	<b><u>Weekday</u></b>	<b><u>Saturday</u></b>	<b><u>Sunday</u></b>	<b><u>Total</u></b>
Vehicle hours	3,968			3,968
Vehicle miles	56,698			56,698

The methodology used for compiling miles and vehicle hours was reviewed and found to be an adequate and reliable method for recording miles and vehicle hours.

October 7, 2008

Board of Commissioners  
Lake Erie Transportation Commission  
Monroe, Michigan

We appreciate the opportunity to conduct your audit this year. We are writing to you as we complete the audit to communicate any control deficiencies we identified during the audit and whether these deficiencies (if any) are determined to be significant deficiencies or material weaknesses.

In planning and performing our audit of the financial statements of the Lake Erie Transportation Commission, for period ending June 30, 2008, we applied generally accepted auditing standards (GAAS) as we considered your internal control over financial reporting as a basis for designing our auditing procedures. We did this for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of your internal controls. Accordingly, as a part of your audit, we are not expressing an opinion on the effectiveness of your internal control.

Our consideration of internal control was for the limited purpose of conducting your organization's audit and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. It is important to note that control deficiencies are not necessarily problems you will choose to address; however, they do represent potential risks. Our job as your auditors is to ensure that you understand where you have these deficiencies or weaknesses so that you can make informed business decisions on how best to respond to these risks.

**Significant Deficiencies**

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects your entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of your financial statements that is more than inconsequential will not be prevented or detected by your internal control. During our audit we found no significant deficiencies in internal control.

**Materials Weaknesses**

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by your internal control. During our audit we found no material weaknesses.

Other matters concerning Lake Erie Transportation Commission and its operation are reported to you in the remainder of this report.

**Reimbursement of Depreciation**

To receive state and federal reimbursement for depreciation expense on capital assets purchased by Lake Erie Transportation Commission, the Bureau of Passenger Transportation of the Michigan Department of Transportation must approve the depreciable lives of these assets. Currently, the depreciation lives of these assets do not have such approval.

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Board of Commissioners  
Lake Erie Transportation Commission  
Monroe, Michigan

**Federal and State Funding**

Act 51 funding for fiscal year 2007-08 will be 36.1508% down from 40.0365% for fiscal year 2006-07.

Federal Section 5311 will be 16% for fiscal year 2007-08 down from 17% for fiscal year 2006-07.

We again appreciated the assistance provided by the staff of the Lake Erie Transportation Commission during our audit.

***Robertson, Eaton & Owen P.C.***  
October 7, 2008